

Message Text

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ACTION ARA-15

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C O N F I D E N T I A L LIMA 8145

E.O. 11652: GDS
TAGS: EFIN PINT ELAB PE
SUBJ: GOP DECLARES END OF DISMISSALS

REFS: (A) LIMA 7425, (B) LIMA 7957

SUMMARY: UNDER PRESSURE FROM APRA, THE FAR LEFT AND PUBLIC EMPLOY-
EES, GOP HAS ANNOUNCED THAT THERE WILL BE NO MORE FIRINGS IN THE
PUBLIC SECTOR UNDER CONTROVERSIAL DECREE LAW 22264 OF THE
AUSTERITY PROGRAM. THE IDEA OF SUDDEN, MASSIVE LAYOFFS WAS ILL-
CONCEIVED TO BEGIN WITH, AND MANAGED BADLY. THE ACTION DEPRIVES
THE LEFT IS ITS BIGGEST DRAWING CARD FOR A STRIKE AT THIS TIME,
BUT FURTHER DAMAGES THE GOP'S CREDIBILITY. END SUMMARY.

1. IN AN OFFICIAL ANNOUNCEMENT SEPTEMBER 13, THE GOP DECLARED THAT
THERE WILL BE NO MORE DISMISSALS OF PUBLIC EMPLOYEES UNDER DECREE
LAW 22264 (SEE REFTELS). EXPLANATION WAS THAT ARTICLE 20 OF THE
DECREE LAW, WHICH PROVIDED FOR SUCH DISMISSALS, HAD EXPIRED. THE
ANNOUNCEMENT ALSO INDICATED THAT (A) PUBLIC SERVANTS WHO VOLUNTA-
RILY RETIRE CAN RECEIVE THE BENEFITS PROVIDED IN DECREE LAW 22265
(THE COMPANION PIECE TO 22264, SEE REFTEL), (B) "RATIONALIZATION"
WILL CONTINUE BUT WITHOUT DISMISSALS, (C) PERU'S EMBASSIES IN
IRAN, ALGERIA, ZAMBIA AND JAMAICA ARE BEING CLOSED AND OTHERS
WILL BE CONSIDERED FOR CLOSING (SEPTTEL).

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2. ACCORDING TO THE ANNOUNCEMENT, APPLICATION OF DECREE LAW
22264 TO DATE RESULTED IN THE ELIMINATION OF 9,145 VACANT POSI-
TIONS AND 3,717 OCCUPIED POSITIONS. HOWEVER, ONLY 859
PEOPLE WERE FIRED AND 1,174 RESIGNATIONS HAVE BEEN ACCEPTED.
(WE BELIEVE THE FIGURES DO NOT TOTAL 3,717 BECAUSE OF TRANSFERS.)

3. THE DISMISSALS PROGRAM WAS OPPOSED BY THE EMPLOYEES THEMSELVES, THE FAR LEFT, AND MOST IMPORTANTLY, APRA. IT HAD NO GREAT DEFENDERS OUTSIDE THE GOP. PUBLIC EMPLOYEES WERE THREATENING ANOTHER STRIKE, IN CONJUNCTION WITH OTHER GROUPS, AND THEIR ORGANIZATION APPEARED TO GRAVITATE TOWARD FAR LEFT CONTROL. (THIS WAS PROBABLY APRA'S PRINCIPAL REASON FOR CRITICIZING THE PROGRAM.) IT IS USEFUL AT THIS POINT TO REVIEW THE EVENTS SURROUNDING THE DISMISSALS ISSUE.

4. THE PUBLIC EMPLOYEES' MOVEMENT AND STRIKE OF SEPTEMBER 6 ARE UNIQUE AND A PRODUCT OF UNUSUAL CIRCUMSTANCES. DURING TEN YEARS OF MILITARY RULE THE EMPLOYMENT ROLLS OF GOVERNMENT (NOT INCLUDING NATIONALIZED INDUSTRIES) HAVE GROWN TO NEARLY ONE-HALF MILLION. WAGES AND BENEFITS FOR PUBLIC SERVANTS WERE GOOD, OFTEN BETTER THAN FOR COMPARATIVE PRIVATE SECTOR EMPLOYMENT. HOWEVER, DURING THE LAST TWO YEARS MOST PUBLIC SERVANTS (AND PRIVATE

SECTOR WORKERS AS WELL) HAVE EXPERIENCED A DECLINING STANDARD OF LIVING AS WAGE

INCREASES HAVE FALLEN BEHIND INFLATION.

5. THE PUBLIC EMPLOYMENT REDUCTIONS PROPOSALS PROMPTED WIDESPREAD FEAR, FUELED BY RUMORS ABOUT WHO WOULD BE AFFECTED AND EXAGGERATIONS BY THE LEFTIST MEDIA, CLAIMING THAT UP TO 100,000 PEOPLE WOULD BE FIRED. THE GOP LACKED A COORDINATED IMPLEMENTATION PLAN, AS ILLUSTRATED BY VARYING REPORTS WE HAVE RECEIVED

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FROM MINISTRIES AS TO THE NUMBER TO BE RELEASED.

6. THE GOP TOOK FEW MEASURES UNTIL THE LATTER PART OF LAST WEEK TO STILL ANXIETIES. THE DAY OF THE STRIKE, THE GOVERNMENT ANNOUNCED THAT EMPLOYEES OF THE EDUCATION MINISTRY (BY FAR THE LARGEST) WOULD NOT BE AFFECTED. TWO DAYS LATER, HEALTH WORKER

(30,000) WERE EXCLUDED FROM THE CUTS. AT THE SAME TIME, THE GOP ANNOUNCED THAT 5,400 VACANT POSITIONS WERE BEING ELIMINATED, AS IF TO SUGGEST THAT AN EQUIVALENT NUMBER OF FLESH AND BLOOD PEOPLE WOULD NOT BE AFFECTED BY THE NEED TO PARE EMPLOYMENT ROLLS. THE GOP ALSO ANNOUNCED "VOLUNTARY RESIGNATIONS" OF OVER 3,000. (THIS CLAIM WAS EVIDENTLY A GROSS EXAGGERATION.) THE PUBLIC WAS TREATED TO A MEDIA BARRAGE EXPLAINING THE BENEFITS AVAILABLE TO THOSE WHO RESIGN OR WERE FIRED UNDER THE TWO DECREE LAWS WHICH IMPLEMENT THE PERSONNEL REDUCTIONS. THESE ANNOUNCEMENTS HAD LITTLE EFFECT IN DIFFUSING OPPOSITION AND AT THE END OF THE WEEK APRA RECOMMENDED REPEAL OF THE DECREE LAWS. HAYA DE LA TORRE EVEN ANNOUNCED THAT THE CABINET HAD REPEALED THEM, BUT THE GOP DENIED IT.

7. COMMENT: THE GOP REVERSAL SHOULD STILL MOST PUBLIC SECTOR

AGITATION, BUT AT THE COST OF FURTHER DOUBTS ABOUT THE GOVERNMENT'S CREDIBILITY. THE GOP IS NOW RELYING ON VOLUNTARY RESIGNATIONS TO ACHIEVE SUBSTANTIAL PERSONNEL CUTS. SOME WORKERS MAY CONTINUE TO TAKE ADVANTAGE OF THE RETIREMENT BENEFITS OFFERED BUT IT IS UNLIKELY THAT THE REDUCTION TARGET OF 30,000 EMPLOYEES ORIGINALLY ANNOUNCED WILL BE MET. SHLAUDEMAN

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